

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Flint Public Library	County Genesee
Fiscal Year End 06/30/06	Opinion Date 11/03/06	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

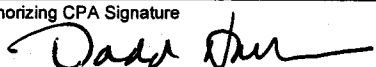
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Plante & Moran, PLLC		Telephone Number (810) 767-5350	
Street Address 111 E. Court Street, Suite 1A		City Flint	State MI
Zip 48502			
Authorizing CPA Signature 	Printed Name Tadd Harburn, CPA	License Number 1101014134	

Annual Financial Report

Flint Public Library

For the Year Ended June 30, 2006

with Independent Auditors' Report

**Flint Public Library, Michigan
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2006**

Table of Contents

	<u>Page</u>
Financial Section:	
Report of Independent Auditors	1
Management's Discussion and Analysis	2-4
Basic Financial Statements:	
Government-wide Financial Statements:	
Government Fund Balance/Statement of Net Assets	5
Statement of Government Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities	6
Notes to the Basic Financial Statements	7-20
Required Supplementary Information Section:	
Budgetary Comparison Schedule - General Fund	21

Financial Section



Plante & Moran, PLLC

Suite 1A

111 E. Court St.

Flint, MI 48502

Tel: 810.767.5350

Fax: 810.767.8150

plantemoran.com

Independent Auditors' Report

To the Board of Directors of
Flint Public Library:

We have audited the accompanying financial statements of governmental activities and major fund of Flint Public Library (a District Library) as of and for the year ended June 30, 2006, which comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Flint Public Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of Flint Public Library at June 30, 2006, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 3, 2006

Management's Discussion and Analysis

Flint Public Library Management's Discussion and Analysis

This section of Flint Public Library's annual financial report presents our discussion and analysis of the Library's financial performance during the fiscal year that ended on June 30, 2006. Please read it in conjunction with the Library's financial statements, which follow this section.

Financial Highlights

- The Library's primary source of revenue is from property taxes. For 2006, total tax collections were \$4,772,769. This represents approximately 88.8% of total revenue.
- Salaries, employee benefits, and taxes are the largest overall expenditure of the Library. For 2006, the expenditure was \$3,570,371, representing approximately 67.1% of the Library's total expenditures.
- Materials of \$396,143 are the second largest overall expenditure of the Library, representing approximately 7.4% of the Library's total expenditures.
- Total expenditures for the entire year were \$5,324,218.
- The Library's net assets increased by \$115,947 during the year ended June 30, 2006. Depreciation expense was \$221,683.

Government-wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net assets and how they have changed. Net assets – the difference between the Library's assets and liabilities – is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Library you need to consider additional non-financial factors such as changes in the Library's property tax base.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Financial Analysis of the Library as a Whole

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by approximately \$4.7 million at the close of the most recent fiscal year (see below table).

Summary Condensed Financial Information

	Governmental Activities	
	2006	2005
Current assets	\$1,758,702	\$1,659,050
Noncurrent assets:		
Capital assets	3,578,315	3,520,339
Total assets	5,337,017	5,179,389
Liabilities:		
Current liabilities	290,138	319,017
Non-current liabilities	347,228	276,668
Total liabilities	637,366	595,685
Net assets:		
Invested in capital assets – net of debt	3,457,918	3,472,873
Restricted - Expendable Endowment	258,727	232,462
Restricted - Non-Expendable Endowment	20,000	20,000
Restricted - Donor restricted contributions	20,627	13,231
Unrestricted	942,379	845,138
Total net assets	\$4,699,651	\$4,583,704
Revenue:		
Property taxes	\$4,772,769	\$4,692,525
Other	601,765	630,276
Total revenue	5,374,534	5,322,801
Expenses	5,258,587	5,444,104
Changes in net assets	115,947	(121,303)
Net assets – beginning of year	4,583,704	4,705,007
Net assets – end of year	\$4,699,651	\$4,583,704

It can be seen that total net assets for the Library increased \$115,947 during the year ended June 30, 2006.

Total revenues increased \$51,733; while expenses decreased \$185,517, or 3.4 percent due in part to reductions in professional services and printing and publications.

Capital Assets

At the end of 2006, the Library has capital assets of \$3,457,918, net of related debt and accumulated depreciation. The largest portion represents donated building and land of the Main Branch of \$2,650,000 at fair market value at the date of donation. This net amount complies with methods established by the Governmental Accounting Standards Board (GASB) GASB Statement 34.

Long-term Debt

At year-end, the Library had \$277,714 owed to employees for compensated absences.

Budgets

The significant changes to the total overall budget between the original and final amended budget were \$50,905 to donated income, \$95,170 to miscellaneous revenue, \$82,202 to employee benefits and taxes, and \$69,670 to professional services.

Requests for Information

This financial report is designed to provide our citizens and taxpayers with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Finance and Human Resource Administrator at Flint Public Library, 1026 E. Kearsley, Flint, Michigan 48502.

Basic Financial Statements

Flint Public Library
Governmental Fund Balance Sheet/Statement of Net Assets
June 30, 2006

	Primary Government			Component Unit
	General Fund - Modified Accrual Basis	Adjustments (Note III)	Statement of Net Assets - Full Accrual Basis	Friends of the FPL
Assets				
Cash and cash equivalents	\$ 1,127,689	\$ -	\$ 1,127,689	\$ 49,220
Restricted cash and cash equivalents	256,079	-	256,079	-
Investments held by others	-	-	-	155,166
Receivables:				
Intergovernmental	326,960	-	326,960	-
Accrued interest	14,288	-	14,288	-
Other	18,289	-	18,289	-
Prepaid expenses	15,397	-	15,397	-
Capital assets, net	-	3,578,315	3,578,315	-
Total assets	\$ 1,758,702	3,578,315	5,337,017	204,386
Liabilities				
Accounts payable and accrued liabilities	\$ 181,999	\$ -	\$ 181,999	\$ -
Deferred revenue	57,257	-	57,257	-
Noncurrent Liabilities				
Due within one year:				
Installment purchase obligation	-	42,183	42,183	-
Compensated Absences	-	8,700	8,700	-
Due in more than one year				
Installment purchase obligation	-	78,214	78,214	-
Compensated Absences	-	269,013	269,013	-
Total liabilities	239,256	398,110	637,366	-
Fund Balances				
Reserved for prepaid expenses	15,397	(15,397)		
Reserved - Expendable Endowmen	258,727	(258,727)		
Reserved - Non-Expendable Endowmen	20,000	(20,000)		
Reserved - Donor restricted contributions	20,627	(20,627)		
Unreserved - Designated	825,000	(825,000)		
Unreserved - Undesignated	379,695	(379,695)		
Total fund balance	1,519,446	(1,519,446)		
Total liabilities and fund balance	\$ 1,758,702			
Net Assets				
Investment in capital assets- net of debt		3,457,918	3,457,918	-
Restricted - Expendable Endowmen		258,727	258,727	155,166
Restricted - Non-Expendable Endowmen		20,000	20,000	-
Restricted - Donor restricted contributions		20,627	20,627	-
Unrestricted		942,379	942,379	49,220
Total net assets		\$ 4,699,651	\$ 4,699,651	\$ 204,386

See notes to financial statements.

Flint Public Library
Statement of Governmental Revenue, Expenditures
and Changes in Fund Balance - Statement of Activities
Year Ended June 30, 2006

	Primary Government			Component Unit
	General Fund - Modified Accrual Basis	Adjustments (Note III)	Statement of Net Assets - Full Accrual Basis	Friends of the FPL
Revenue				
Property taxes	\$ 4,772,769	\$ -	\$ 4,772,769	\$ -
Grants and memorials	92,019	-	92,019	-
Penal fines	161,208	-	161,208	-
State aid	117,428	-	117,428	-
Interest income	87,141	-	87,141	15,779
Donation income	27,539	-	27,539	5,049
Charges for services	56,278	-	56,278	-
Miscellaneous revenue	60,152	-	60,152	23,527
Total revenue	5,374,534	-	5,374,534	44,355
Expenditures				
Current:				
Salaries and wages	2,622,131	(7,655)	2,614,476	-
Employee benefits and taxes	948,240	-	948,240	-
Materials	396,143	(120,443)	275,700	-
Supplies	204,565	-	204,565	-
Maintenance and utilities	386,745	-	386,745	-
Professional services	129,699	-	129,699	-
Rent	49,034	-	49,034	-
Communications	39,523	-	39,523	-
Dues and memberships	3,929	-	3,929	-
Printing and publishing	55,992	-	55,992	-
Miscellaneous	3,042	-	3,042	767
Insurance	92,552	-	92,552	-
Grant & program expenditures	63,820	-	63,820	20,209
Depreciation	-	221,683	221,683	-
Transportation/Staff development	34,449	-	34,449	-
Interest	1,352	-	1,352	-
Debt services - principal	10,265	(10,265)	-	-
Capital outlay	293,002	(159,216)	133,786	-
Total expenses	5,334,483	(75,896)	5,258,587	20,976
Revenues Over Expenditures	40,051	75,896	115,947	23,379
Other Financing Sources (Uses)				
Debt proceeds	130,662	(130,662)	-	-
Change in Net Assets	170,713	(54,766)	115,947	23,379
Fund Balance/Net Assets - Beginning of year	1,348,733	-	4,583,704	181,007
Fund Balance/Net Assets - End of year	\$ 1,519,446	\$ - 0 -	\$ 4,699,651	\$ 204,386

See notes to financial statements.

Notes to Basic Financial Statements

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies

The accounting policies of the Flint Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Flint Public Library.

A. Reporting entity

Pursuant to Proposal A, effective July 1, 1996, school districts in Michigan are not allowed to levy a millage for public libraries. The Library was, therefore, spun off from the Flint Public Schools (the “Schools”) to operate as an independent body with its own board of trustees and its own tax levy. The Library has received voter approval to levy 2.9 mills. The Library became a separate entity as of July 1, 2000. Transfer of certain assets and liabilities was completed on June 16, 2004 between the Library and Schools. The Library is governed by a Board (the “Library Board”), which consists of seven members. The mayor appoints four members and the Flint Board of Education appoints three members.

The Library’s borders encompass the City of Flint (“the City”).

The accompanying financial statements present the Library and its component unit, an entity for which the Library is considered to be financially accountable. The component unit discussed below is included in the Library’s reporting entity because of the significance of their operational or financial relationship with the Library. The component unit is discretely presented via a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the Library.

Discretely Presented Component Unit – Friends of the Flint Public Library (FFPL) (a not-for-profit organization) – A separate legal entity formed solely to support the Flint Public Library. An endowment fund has been established at the Community Foundation of Greater Flint for which distributions of investment income will be annually distributed to the Library. Requests for financial statements of the FFPL can be made to the Officers of the FFPL.

B. Measurement focus, basis of accounting, and financial statement presentation

The Library has one fund, the General Fund, which is the Library’s primary operating fund.

The Library is budgeted and accounted for using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be *available* if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. The prepaid expenses reported on the balance sheet represent payments made in advance for 2007 expenditures.

In addition to presenting information for the General Fund on a financial resources and modified accrual basis, the financial statements also present information for the Library using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies – (continued)

B. Measurement focus, basis of accounting, and financial statement presentation – (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both modified accrual and full accrual columns, to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Library has elected not to follow private-sector standards issued after November 30, 1989 for its full accrual presentation.

C. Financial Statement Amounts

1. Cash and investments

Cash and investments include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

2. Receivables

All trade and property taxes receivable are shown net of an allowance for uncollectible amounts.

3. Property taxes

Property taxes are levied on December 1 based on the taxable valuation of the property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The taxable valuation of the Library totaled approximately \$1.65 billion, on which ad valorem taxes levied consisted of 2.9 mills for the Library's operating purposes. The ad valorem taxes levied raised approximately \$4.7 million for operations and is recognized in the General Fund financial statements as property tax revenue.

The Library is levying 2.0 mills that will be levied in perpetuity and 0.9 mills for which authorization will expire December 2011.

The Library levies its property taxes on December 1 and the City of Flint collects its property taxes and remits them to the Library through February. The County purchases the delinquent real property taxes of the Library, and delinquent personal property taxes continue to be collected by the City and recorded as revenue as they are collected. The County sells tax notes, the proceeds of which have been used to pay the Library for these delinquent real property taxes. These delinquent real property taxes have been recorded as revenue in the current year.

4. Prepaid expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expenses on the balance sheet.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies - (continued)

C. Financial Statement Amounts - (continued)

5. Capital assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the Library is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Works of art	N/A
Computers and accessories	5
Books	10
Vehicles	6
Equipment and furniture	7-20
Building and improvements	20

6. Compensated Absences

The Library reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick and vacation leave benefits are accrued as a liability using the termination payment method. An accrual for earned sick and vacation leave is made to the extent that it is probable that the benefits will result in termination payments. The liability is based on the Library's past experience of making termination payments.

The entire compensated absences liability is reported on the government-wide financial statements.

A liability for these amounts is reported in governmental funds only for eligible employee terminations as of year end.

7. Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

I. Summary of significant accounting policies - (continued)

C. Financial Statement Amounts - (continued)

8. Grants and Memorials

Grant revenues are recorded as they are earned, according to the provisions of the grant. Normally, grant revenues are earned and received as the grant period progresses. The provisions of the grant determine the timing of revenue recognition. Grant expenses are recognized when incurred for a grant related obligation. Some immaterial variances may occur between grant revenue and expense due to timing differences. Any grant funds received prior to incurring grant qualifying expenditures are recorded as deferred revenue.

9. Deferred Revenue

Income is recognized as revenue as it is earned. Prepayments are recorded as deferred until the revenue is earned over the year.

10. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. See Note II-I for additional information about designated fund balance.

11. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

II. Detailed notes on all funds

A. Deposits and investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptances of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds – (continued)

A. Deposits and investments – (continued)

The Federal Deposit Insurance Corporation (FDIC) provides protection of the Library's deposits. The Board authorized Citizens Bank and Chase Bank for the deposit of the Library's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 had authorized investment in all of the above mentioned investment vehicles. The Library's deposit and investment policies are in accordance with statutory authority.

Custodial credit risk of bank deposits:

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$1,231,936 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates the financial institution it deposits funds with and assesses their level of risk; only those institutions with an acceptable estimated risk level are used as depositories.

Deposits and investments of component unit:

Deposits:

The FFPL had \$49,220 in deposits that were fully insured at June 30, 2006.

Custodial credit risk of investment:

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the FFPL will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The FFPL does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the FFPL's name:

<u>Type of Investment</u>	<u>Carrying Amount</u>	<u>How Held</u>
Stock mutual funds (endowment at Greater Flint Community Foundation)	\$155,166	Counterparty's trust department

B. Deferred revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the deferred revenue consisted of:

Grant and categorical aid payment received prior to meeting all eligibility requirements \$57,257

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds - (continued)

C. Capital assets

Capital asset activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 530,000	\$ -	\$ -	\$ 530,000
Works of art	200,000	-	-	200,000
Total capital assets not depreciated	730,000	-	-	730,000
Capital assets, being depreciated:				
Building and improvements	2,167,466	159,216	-	2,326,682
Books	1,357,481	138,263	(49,695)	1,446,049
Computers, vehicles, and furniture	709,049	-	-	709,049
Total capital assets being depreciated	4,233,996	297,479	(49,695)	4,481,780
Less accumulated depreciation for:				
Building and improvements	(108,373)	(111,315)	-	(219,688)
Books	(759,851)	(71,808)	31,875	(799,784)
Computers, vehicles, and furniture	(575,433)	(38,560)	-	(613,993)
Total accumulated depreciation	(1,443,657)	(221,683)	31,875	(1,633,465)
Total capital assets, being depreciated, net	2,790,339	75,796	(17,820)	2,848,315
Governmental activities capital assets	<u>\$ 3,520,339</u>	<u>\$ 75,796</u>	<u>\$ (17,820)</u>	<u>\$ 3,578,315</u>

As a part of the transaction to “spin off” from the School District of the City of Flint, the deed to the building and land of the Main Branch was given to the Library on the condition that the property be used for public library purposes and with free public library usage for residents of the City of Flint. Should the property cease to be used for public library purposes with free public library usage for residents of the City of Flint, the property ownership could revert back to the School District of the City of Flint. The deed to the property was transferred on June 15, 2004 at a fair value of \$2,650,000.

D. Leases

Operating Leases – The Library leases equipment under a noncancelable operating lease. Total costs for the lease was \$-0- for the current year. The future minimum lease payments for these leases are as follows:

<u>Years End June 30</u>	<u>Amount</u>
2007	\$ 3,108
2008	3,108
2009	3,108
2010	3,108
2011	3,108
Total	<u>\$ 15,540</u>

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds - (continued)

D. Leases – (continued)

The Library has entered into two non-cancelable operating leases for branch facilities. Each lease is for a period of 36 months. Lease terms end June 30, 2008, and December 31, 2008, respectively, with payments ranging from \$1,300 - \$1,500 per month.

The future lease payments are as follows:

<u>Years End</u> <u>June 30,</u>	<u>Total</u> <u>Payments</u>
2007	\$ 33,600
2008	33,600
2009	9,000

E. Long-term debt

Governmental Activities:

General Obligations:

Installment purchase obligation to the bank, used for roof repairs, bearing interest at 4.25%, unsecured, and maturing in 2008

The compensated absences represent the estimated liability to be paid employees under the Library's vacation pay policy. Under the Library's various contracts, employees earn vacation and sick time based on time of service with the library. The Library estimates that vacation pay of \$1,200 and sick pay of \$7,500 will be paid within the next year.

Long-term liability activity for the year ended June 30, 2006 can be summarized as follows:

	<u>Balance</u> <u>July 1,</u> <u>2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,</u> <u>2006</u>
General Obligations	\$ -	\$130,662	\$ 10,265	\$120,397
Compensated Absences	285,369	-	7,655	277,714
Total	<u>\$ 285,369</u>	<u>\$130,662</u>	<u>\$ 17,920</u>	<u>\$398,111</u>

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds – (continued)

E. Long-term debt – (continued)

Governmental Activities: – (continued)

General Obligations: – (continued)

Total interest expense for the year was approximately \$1,352. Annual debt service requirements to maturity for the above obligations are as follows:

Year End <u>June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 42,183	\$ 4,302	\$ 46,485
2008	43,992	2,475	46,467
2009	34,222	596	34,818
Total	<u>\$120,397</u>	<u>\$ 7,373</u>	<u>\$127,770</u>

F. Budget Information

The Library employs the following procedures in establishing the budgetary data reflected in the financial statements:

- Prior to June 30, the Director submits to the Board a proposed operating budget for the fiscal year commencing on July 1.
- A public hearing is conducted in June to obtain taxpayer comments.
- Prior to June 30, the budget is legally enacted through passage of a resolution by the Board of Trustees on an activity basis.
- For purposes of meeting emergency needs of the Library, transfer of appropriations may be made by the authorization of the Director. Such transfers of appropriations must be approved by the Board at its next regularly scheduled meeting.
- The Director is charged with general supervision of the budget and shall hold the department heads responsible for performance of their responsibilities.
- During the year the budget is monitored, and amendments to the budget resolution are made when deemed necessary. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2006 have not been calculated.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, except that capital assets acquired with installment debt were reported net of debt proceeds. The grant budget expenditure overrun was funded by unanticipated/unbudgeted grant revenue.

A comparison of the actual results of operations to the General Fund budget as adopted by the Library Board is included in the required supplementary information.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds – (continued)

G. Budget compliance

The Library incurred expenditures in excess of appropriations as follows:

	Expenditures in excess of <u>Budget</u>
Supplies	\$ 41,865
Maintenance and utilities	13,545
Insurance	1,790
Grant expenditures	63,820
Capital outlay	2,357
Transportation/staff development	19,449

H. Risk management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Library has purchased commercial insurance for these risks. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage.

I. Fund Balance Designated

Fund Balance designations represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. The designation of fund balance at June 30, 2006 is comprised of the budget stabilization in the amount of \$825,000. The Flint Public Library Board policy III.4.1 requires the establishment and maintenance of a three-month operating reserve. The current designation is approximately equivalent to a two-months operating reserve.

J. Restricted Net Assets

Restricted net assets at June 30, 2006 are comprised of the following:

<u>Primary Government</u>	<u>Expendable</u>	Non-Expendable <u>Endowment</u>	<u>Total</u>
Mid-Eastern Michigan Library Cooperative	\$ 43,852	\$ -	\$ 43,852
Library Building Fund	3,887	-	3,887
Goering Fund	36,976	-	36,976
Scott Memorial Fund	32,546	20,000	52,546
Library Special Fund (Curtis)	141,466	-	141,466
Donor Restricted Contributions	20,627	-	20,627
Total	<u>\$279,354</u>	<u>\$ 20,000</u>	<u>\$299,354</u>
Component Unit:			
Community Foundation of Greater Flint	<u>\$155,166</u>	<u>\$ -0-</u>	<u>\$155,166</u>

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds – (continued)

K. Pension Plan

1) Defined Benefit Pension Plan – MPSERS

Library employees hired prior to July 1, 2000 are eligible to participate in the Michigan Public School Employees Retirement System (MPSERS). The Plan Description, Funding Policy and Description of Other Post Employment Benefits follows:

Plan Description

MPSERS is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Michigan Department of Management and Budget, Office of Retirement Systems. MPSERS provides retirement, survivor and disability benefits to plan members and beneficiaries. Benefit provisions are established and may be amended by state statute.

The Office of Retirement Systems issues a publicly available financial report that includes financial statements and required supplementary information for MPSERS. That report may be obtained by writing to Michigan Public Schools Employee Retirement System, 7150 Harris Drive, P.O. Box 30171, Lansing, Michigan, 48909 or by calling 1-800-381-5111.

Funding Policy

Member Investment Plan (MIP) members, enrolled in MIP prior to January 1, 1990, contribute at a permanently fixed rate of 3.9% of gross wages. Members first hired on January 1, 1990 or later, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000, 4.3% of all wages over \$15,000. Basic Plan members make no contributions. The Library is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefits on a cash disbursement basis.

The pension benefit rate totals 14.87 percent for the period October 1, 2004 through September 30, 2005 and 16.34 percent for the period October 1, 2005 through June 30, 2006 of the covered payroll to the plan. The contribution requirements of plan members and the Library are established by Michigan State statute and may be amended only by action of the State Legislature. The Library's contributions to MPSERS for the year ended June 30, 2006 and 2005 was \$231,319 and \$211,114, respectively, equaled the required contributions for the year.

The Library's annual contribution represents less than 1% of the total contributions received by the MPSERS. Historical trend information showing funding progress, employer contributions and actuarial assumptions for the entire MPSERS plan is presented in the MPSERS September 30, 2005 comprehensive annual financial report.

Post-employment benefits

Under the MPSERS Act, all retirees participating in the MPSERS pension plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for those that have health, dental, and vision coverages. Required contributions for postemployment health care benefits are included as part of the Library's total contribution to the MPSERS pension plan discussed above.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds – (continued)

K. Pension Plan – (continued)

2) Defined Benefit Pension Plan – MERS

Library employees hired on or after July 1, 2000 are eligible to participate in the Municipal Employees Retirement System (MERS). The Plan description and funding policy are as follows:

Plan Description

The Library's defined benefit pension plan - MERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Library participates in Municipal Employees Retirement System (MERS), an agent of a multiple-employer public employee retirement system (PERS) administered by the MERS Retirement Board. Act No. 427 of the Public Act of 1984, as amended, established, and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System issues a publicly available financial report that included financial statements and requires supplementary information of MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Road, Lansing, Michigan, 48917 or by calling (800) 767-6377.

A basic plan member may retire at age 60 with 10 or more years of credited service. The annual retirement benefit, payable monthly for life, is equal to 2 percent of a member's five-year final average compensation. Final average compensation is the employee's average salary over the last 5 years of credited service. Benefits fully vest on reaching 10 years of service.

The Library's current year covered payroll its employees amounted to \$1,401,963. All required contributions to the plan have been made by the employer.

Funding Policy

The "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits adjusted for the effects of the projected salary increases and step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure, which is the actuarial present value of credited projected benefits, is intended to help users assess the MERS' funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS and employers. The MERS makes separate measurements of assets and pension benefit obligation for individual municipalities. The pension benefit obligation at December 31, 2005 (latest reporting date available) for the obligation is for vested and non-vested current employees. The Library's net assets available for benefits on that date (valued at cost) were \$334,267 leaving under-funding of \$63,277. The Library made contributions of \$79,267 for the fiscal year ended June 30, 2006. The investment return rate and pay increase assumption used in making the actuarial valuations were 8% and 4.5%, respectively. The Library funding policy is to contribute annually an amount sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the Library may determine to be appropriate. Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the pension benefit obligations.

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds – (continued)

K. Pension Plan – (continued)

2) Defined Benefit Pension Plan – MERS – (continued)

Actuarial assumptions

The significant actuarial assumptions used to compute the actuarial accrued liabilities are as follows:

Actuarial valuation date	December 31, 2005
Actuarial cost method	Entry age-normal
Amortization period	Level percentage of payroll
Remaining amortization period (weighted)	30 years
Asset valuation method	(1)
Actuarial assumption:	
Investment rate of return	8.0%
Projected salary increase	(2)

(1) Ten year smoothed market

(2) 4.5% wage inflation plus a percentage based on aged-related scale to reflect merit, longevity, and promotional salary increases. The range of percentages is from 12.9% for a 20 year old participant to 4.5% for a 60 year old participant.

Annual pension cost

The Library's Annual Required Contribution (ARC) and Annual Pension Costs (APC) for the year ended June 30, 2006 was \$79,267. All employer contributions made were equal to required contributions by MERS. There was no Net Pension Obligation (NPO) at June 30, 2006. The APC, percentage of APC contributed, and NPO for the years ended June 30, 2006, 2005, and 2004 are summarized as follows:

<u>Plan Year End</u>	<u>Actuarial Valuation Date</u>	<u>Annual Pension Cost (APC)</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/04	12/31/03	\$ 60,110	100%	\$ -
6/30/05	12/31/04	75,727	100	-
6/30/06	12/31/05	79,267	100	-

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

II. Detailed notes on all funds - (continued)

K. Pension Plan - (continued)

2) Defined Benefit Pension Plan - MERS - (continued)

Schedule of funding progress

Historical trend information showing MERS' progress in accumulating sufficient assets to pay benefits when due is presented in the December 31, 2005 comprehensive annual financial report. Three-year historical trend information is as follows:

Valuation Date	Net Assets Available for Benefits	Actuarial Accrued Liability	Percent Funded	Assets in Excess of Actuarial Accrued Liability	
				Amount	As a Percent of Covered Payroll
12/31/03	\$144,447	\$123,836	117%	\$20,611	0%
12/31/04	236,257	262,065	90	(25,808)	2
12/31/05	334,267	397,544	84	(63,277)	6

III. Reconciliation of government-wide and fund financial statements

Total fund balance and the net change in fund balance of the Library's General Fund differs from net assets and change in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance – Modified Accrual Basis	\$1,519,447
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	3,578,315
Notes payable are included as a liability	(120,397)
Compensated absences are included as a liability	<u>(277,714)</u>
Net Assets of General Fund – Full Accrual Basis	<u><u>\$4,699,651</u></u>

Flint Public Library
Notes to Basic Financial Statements
June 30, 2006

III. Reconciliation of government-wide and fund financial statements – (continued)

Net Change in Fund Balances – Modified Accrual Basis	\$ 170,713
---	-------------------

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities. These costs are allocated over their estimated useful lives' depreciation:

Capital outlay	279,659
Depreciation	(221,683)

Debt proceeds provide financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net assets	(120,397)
--	-----------

Decrease in the accrual for long-term compensated absences reported as a decrease in expenditures in the statement of activities, but not in the fund statements	<u>7,655</u>
--	--------------

Changes in Net Assets of General Fund – Full Accrual Basis	<u><u>\$ 115,947</u></u>
---	---------------------------------

Required Supplementary Information

Flint Public Library
Required Supplemental Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2006

	Originally Adopted Budget	Final Amended Budget	Actual	Variance With Final Budget
Revenue				
Property taxes	\$ 4,800,000	\$ 4,800,000	\$ 4,772,769	\$ (27,231)
Grants and memorials	-	-	92,019	92,019
Penal fines	145,000	145,000	161,208	16,208
State aid	60,000	60,000	117,428	57,428
Interest income	28,000	43,000	87,141	44,141
Donation income	-	50,905	27,539	(23,366)
Charges for services	67,000	47,000	56,278	9,278
Miscellaneous revenue	7,000	102,170	60,152	(42,018)
Total revenue	5,107,000	5,248,075	5,374,534	126,459
Expenditures				
Salaries and wages	2,669,591	2,671,638	2,622,131	(49,507)
Employee benefits and taxes	902,330	984,532	948,240	(36,292)
Materials	360,000	397,500	396,143	(1,357)
Supplies	117,500	162,700	204,565	41,865
Maintenance and utilities	361,000	373,200	386,745	13,545
Professional services	142,000	211,670	129,699	(81,971)
Rent	45,800	49,155	49,034	(121)
Communications	73,720	42,800	39,523	(3,277)
Dues and memberships	4,500	4,500	3,929	(571)
Printing and publishing	68,300	62,300	55,992	(6,308)
Miscellaneous	97,497	10,718	3,042	(7,676)
Insurance	90,762	90,762	92,552	1,790
Grant expenditures	-	-	63,820	63,820
Capital outlay	159,000	171,600	173,957	2,357
Transportation/Staff development	15,000	15,000	34,449	19,449
Total expenditures	5,107,000	5,248,075	5,203,821	(44,254)
Revenues Over Expenditures:	\$ - 0 -	\$ - 0 -	\$ 170,713	\$ 170,713

See notes to financial statements.

November 3, 2006

Board of Trustees
Flint Public Library

We have recently completed our audit of the financial statements of Flint Public Library for the year ended June 30, 2006. The purpose of this communication is to provide you with additional information regarding the scope and results of our audit that may assist you with your oversight responsibilities of the financial reporting process for which management is responsible. This report is intended solely for the use of the Audit Committee, Board of Directors and others within the organization.

Auditor's Responsibility Under Generally Accepted Auditing Standards

We conducted our audit of the financial statements of Flint Public Library in accordance with generally accepted auditing standards. The following paragraphs explain our responsibilities under those standards.

Management has the responsibility for adopting sound accounting policies, for maintaining an adequate and effective system of accounts, for the safeguarding of assets and for devising an internal control structure that will, among other things, help assure the proper recording of transactions. The transactions that should be reflected in the accounts and in the financial statements are matters within the direct knowledge and control of management. Our knowledge of such transactions is limited to that acquired through our audit. Accordingly, the fairness of representations made through the financial statements is an implicit and integral part of management's responsibility. We may make suggestions as to the form or content of the financial statements or even draft them, in whole or in part, based on management's accounts and records. However, our responsibility for the financial statements is confined to the expression of an opinion on them. The financial statements remain the representations of management.

The concept of materiality is inherent in the work of an independent auditor. An auditor places greater emphasis on those items that have, on a relative basis, more importance to the financial statements and greater possibilities of material error than with those items of lesser importance or those in which the possibility of material error is remote. For this purpose, materiality has been defined as "the magnitude of an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement."

An independent auditor's objective in an audit is to obtain sufficient competent evidential matter to provide a reasonable basis for forming an opinion on the financial statements. In doing so, the auditor must work within economic limits; the opinion, to be economically useful, must be formed within a reasonable length of time and at reasonable cost. That is why an auditor's work is based on selected tests rather than an attempt to verify all transactions. Since evidence is examined on a test basis only, an audit provides only reasonable assurance, rather than absolute assurance, that financial statements are free of

material misstatement. Thus, there is a risk that audited financial statements may contain undiscovered material errors or fraud. The existence of that risk is implicit in the phrase in the audit report, "in our opinion."

Significant Accounting Policies

Auditing standards call for us to inform you regarding the initial selection of, and change in, significant accounting policies or their application. In addition, we are expected to inform you about the methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. There were no significant unusual transactions or controversial or significant emerging areas for which new accounting policies were needed.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Auditing standards call for us to report to you on accounting estimates that are particularly sensitive because of their significance to the financial statements or because of the possibility that future events affecting them may differ markedly from management's current judgments. Further, we are expected to report to you about the process used by management in formulating particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates. We noted no matters related to sensitive accounting estimates.

Audit Adjustments

Auditing standards call for us to report to you significant audit adjustments that, in our judgment, may not have been detected except through the auditing procedures we performed. We proposed and management recorded audit adjustments to correct and adjust certain general ledger accounts of the Library mainly related to the grants, capital assets, and MMLC related accounts. The basic financial statements reflect these adjustments

Auditing standards also require us to inform the audit committee about uncorrected possible financial statement adjustments identified by us during the current engagement and pertaining to the latest period presented, which were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. There were no unrecorded possible financial statement adjustments.

Disagreements With Management

In the process of conducting an audit, various matters will be discussed with management. In that process, significant differences of opinion may arise regarding the scope of the audit, the application of accounting principles, disclosures to be included in the Library's financial statements or the wording of our report. In the interest of keeping you informed of all significant matters, such differences are required to be reported to you even though they are satisfactorily resolved. There were no disagreements with management over the application of accounting principles or the basis for management's judgments about accounting estimates. Additionally, there were no disagreements regarding the scope of the audit, disclosures to be included in the financial statements or the wording of the auditor's report.

Consultation With Other Accountants

When management consults with other accountants about significant accounting and auditing matters, auditing standards require that we present our views on those matters to you. To our knowledge, there were no such consultations with other accountants.

We welcome any questions you may have regarding the foregoing comments and we would be happy to discuss any of these or other questions that you might have at your convenience.

Current Year Comments and Recommendations

New Auditing Standards

We want to inform the Board of a new auditing standard that will be effective for the next audit. The new standard detailed below will clarify information about an entity's internal controls that will be required to be communicated by auditors to management and governing boards.

Statement on Auditing Standards 112

On May 25, 2006, the American Institute of Certified Public Accountants (AICPA) Audit Standards Board issued Statement on Auditing Standards (SAS) 112 Communicating Internal Control Related Matters Identified in an Audit, which supersedes SAS 60, Communication of Internal Control Related Matters noted in an Audit. The effective date is for audits of financial statements for periods ending on or after December 15, 2006.

The SAS establishes standards and provides guidance to enhance the auditor's communication responsibility to the audit committee or its equivalent concerning significant deficiencies and material weaknesses in internal control noted in a financial statement audit. The SAS defines internal control deficiency, significant deficiency (this term replaces and therefore eliminates the term reportable condition), and material weakness. Internal control deficiencies that constitute significant deficiencies and material weaknesses will be reported to the audit committee or its equivalent in writing and will be made no later than 60 days following the release date of the auditor's report on the financial statements.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

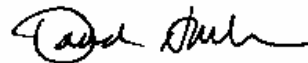
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Uniform Chart of Accounts

We want to inform the Board that the Department of Treasury has issued a Uniform Chart of Accounts for local units of governments to comply with. We encourage the Library to implement the Uniform Chart of Accounts upon the transition to the new accounting software.

Very truly yours,

PLANTE & MORAN, PLLC

A handwritten signature in black ink, appearing to read "Tadd Harburn", is written over a light gray rectangular background.

Tadd Harburn, CPA